



# CHIBA BANK

## The Chiba Bank, Ltd.

Small Meeting After 3Q Release for the Fiscal Year Ending March 2021

February 8, 2021

### Event Summary

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<b>[Event Name]</b>	Small Meeting After 3Q Release for the Fiscal Year Ending March 2021	
<b>[Fiscal Period]</b>	FY2020 Q3	
<b>[Date]</b>	February 8, 2021	
<b>[Time]</b>	15:30 – 16:30	
<b>[Venue]</b>	Webcast	
<b>[Number of Speakers]</b>	2	
	Tsutomu Yonemoto	Director, Senior Executive Officer
	Nobukazu Odaka	Executive Officer, General Manager of Corporate Planning Division

**Odaka:** Hello, everyone. I am Odaka from the Corporate Planning Division of The Chiba Bank. Thank you for participating in the small meeting while you are busy today.

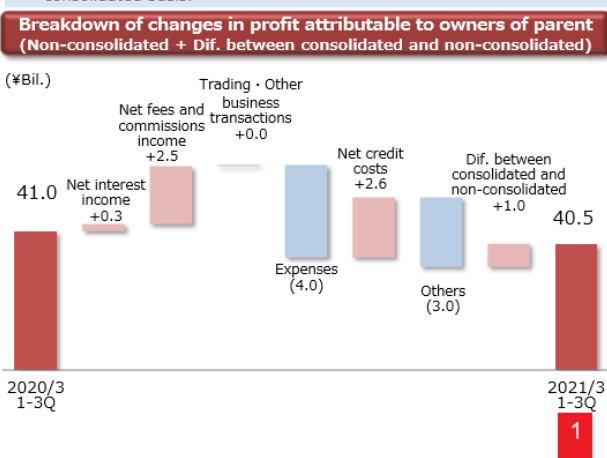
From now on, Mr. Yonemoto, Director and Senior Executive Officer, will explain the outline of the financial results for the third quarter of the fiscal year ending March 2021 for about 10 minutes, and then a question-and-answer session will be held. The total time of the meeting is planned to be up to 60 minutes. For the materials, please refer to the “Financial Highlights” posted on our website.

The 14th Medium Term Management Plan  
**NEXT STEP 2023**  
~ connect and go beyond, for the future ~

## Summary of Financial Results

Non-consolidated	(¥Bil.)	2020/3 1-3Q	2021/3 1-3Q	Change
Gross business profits		115.4	118.4	2.9
Net interest income		94.8	95.1	0.3
Net fees and commissions income		15.7	18.2	2.5
Trading income		1.6	1.2	(0.4)
Profit from other business transactions		3.3	3.7	0.4
Gains (losses) related to bonds (Government bonds, etc.)		2.0	0.1	(1.9)
Expenses (-)		60.6	64.7	4.0
Real net business income		54.8	53.6	(1.1)
Core net business income		52.8	53.5	0.7
Excluding gains (losses) on cancellation of investment trusts		49.1	49.7	0.5
Net transfer to general allowance for loan losses (-)		2.3	1.3	(0.9)
Net business income		52.5	52.3	(0.1)
Non-recurrent income and losses		3.1	0.9	(2.1)
Disposal of non-performing loans (-)		4.9	3.3	(1.6)
Gains (losses) related to stocks, etc.		4.4	4.4	(0.0)
Ordinary profit		55.6	53.3	(2.3)
Extraordinary income (loss)		(0.0)	(0.0)	(0.0)
Profit		40.0	38.4	(1.5)
Net credit costs (-)		7.3	4.6	(2.6)
<b>Consolidated</b>	(¥Bil.)	2020/3 1-3Q	2021/3 1-3Q	Change
Ordinary profit		58.8	58.1	(0.7)
Profit attributable to owners of parent		41.0	40.5	(0.5)

- ◆ Net interest income increased by ¥0.3 billion compared with the corresponding period of previous fiscal year due to an increase in interest on domestic loans, and net fees and commissions income increased by ¥2.5 billion. As a result, Gross business profits increased by ¥2.9 billion.
- ◆ Expenses were within the plan, while increased by ¥4.0 billion due to expenses related to the new headquarter building, etc. Core net business income excluding gains (losses) on cancellation of investment trusts increased by ¥0.5 billion compared with the corresponding period of previous fiscal year and profits in core business were remained strong.
- ◆ Net credit costs were limited and decreased by ¥2.6 billion compared with the corresponding period of previous fiscal year.
- ◆ Profit progressed steadily and achieved 83% of the projection for the year ending March 2021 on a non-consolidated basis and a consolidated basis.



**Yonemoto:** Hello, everyone. This is Yonemoto. Thank you.

I will explain according to the material.

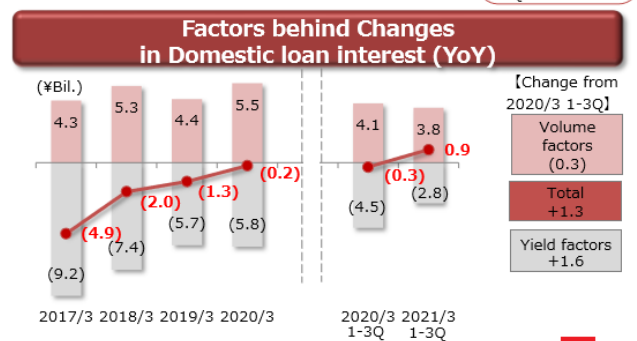
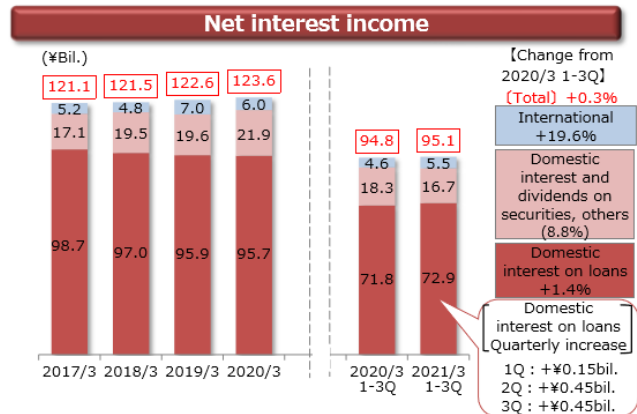
Now, please look at page one of the materials. First, I would like to give you an overview of our business results.

As net fees and commissions income increased by JPY2.5 billion YoY, gross business profit on a non-consolidated basis increased by JPY2.9 billion. Even in the COVID-19 pandemic, profit increased.

Although expenses increased by JPY4.0 billion, due to expenses related to the new headquarters building, et cetera, the expenses remained within the plan, and core net business income, excluding gains on cancellation of investment trusts, also increased by JPY0.5 billion. Core business profits remained strong.

Net credit costs were limited and decreased by JPY2.6 billion, and quarterly profit has steadily progressed at a progress rate of 83% compared to our full-year business plan on both a non-consolidated basis and a consolidated basis.

(¥Bil.)	2020/3 1-3Q	2021/3 1-3Q	Change
Net interest income	94.8	95.1	0.3
Domestic	90.1	89.6	(0.5)
Interest on Loans	71.8	72.9	1.0
Loans and bills discounted	72.4	73.3	0.9
Deposit (incl. NCD)	0.5	0.4	(0.0)
Interest and dividends on securities	17.8	16.0	(1.8)
Bonds	2.0	1.9	(0.0)
Stock dividends	8.6	8.1	(0.4)
Investment funds	0.8	(0.0)	(0.8)
investment trusts	6.3	5.8	(0.4)
Gains (losses) on cancellation	3.4	2.4	(0.9)
Others (Market operation, etc.)	0.4	0.6	0.2
International	4.6	5.5	0.9
Loans and bills discounted	10.2	4.3	(5.9)
Foreign Securities	9.9	9.5	(0.4)
Foreign Securities	8.7	6.7	(2.0)
Foreign currency funds	0.9	1.3	0.3
Investment trusts	0.2	1.5	1.2
Gains (losses) on cancellation	0.1	1.3	1.1
Others (Funding and market operation, etc.)	(15.6)	(8.3)	7.2
Net interest income (Excluding gains (losses) on cancellation of investment trusts)	91.1	91.3	0.1
Gains (losses) on cancellation of investment trusts	3.6	3.8	0.2



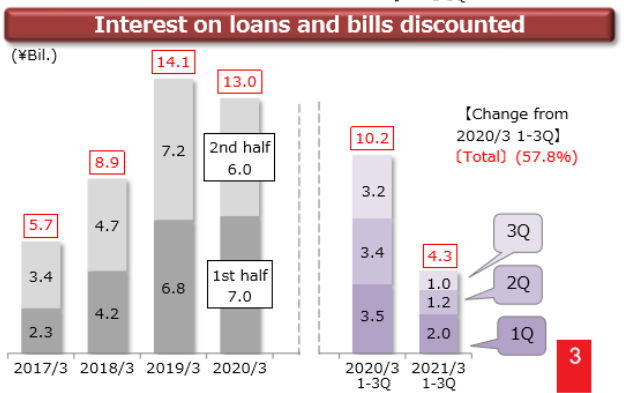
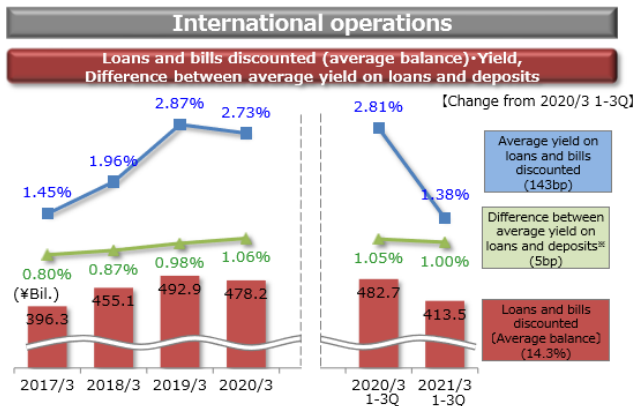
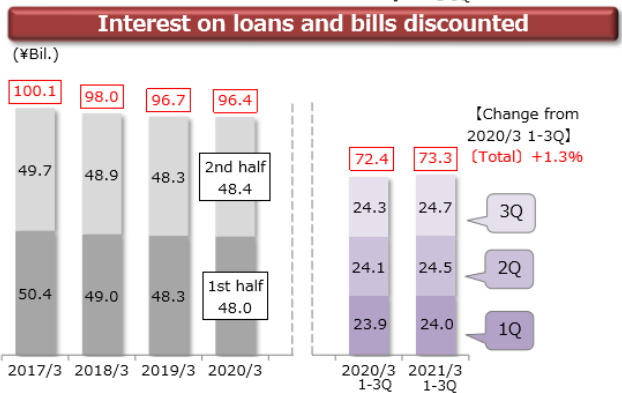
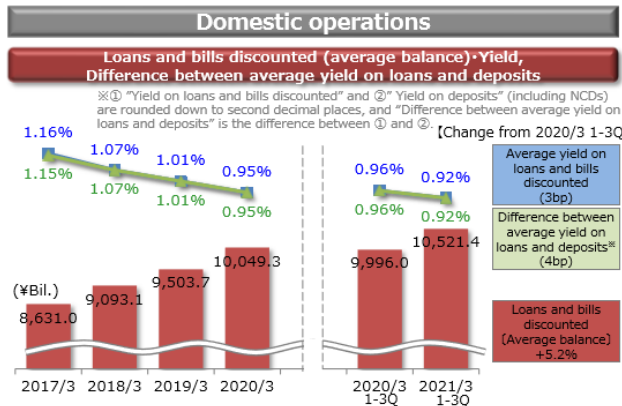
Please turn to page two.

Domestic net interest income decreased by JPY0.5 billion YoY due to a decrease in fund profits, et cetera, but interest on loans and bills discounted increased, as the increase in the balance counteracted the decline in yields.

Domestic interest on loans increased by JPY0.45 billion YoY in the three months of the third quarter alone and is expected to continue contributing to net interest income.

Due to the temporary refraining from aggressive investment in foreign currencies and conservative funding, international net interest income, which was negative compared to the same period of the previous year in the first half of the year, turned to JPY0.9 billion increase, due to the normalization of funding and the recording of dividends from foreign currency funds and gains on cancellation of investment trusts. As a result, overall net interest income increased by JPY0.3 billion.

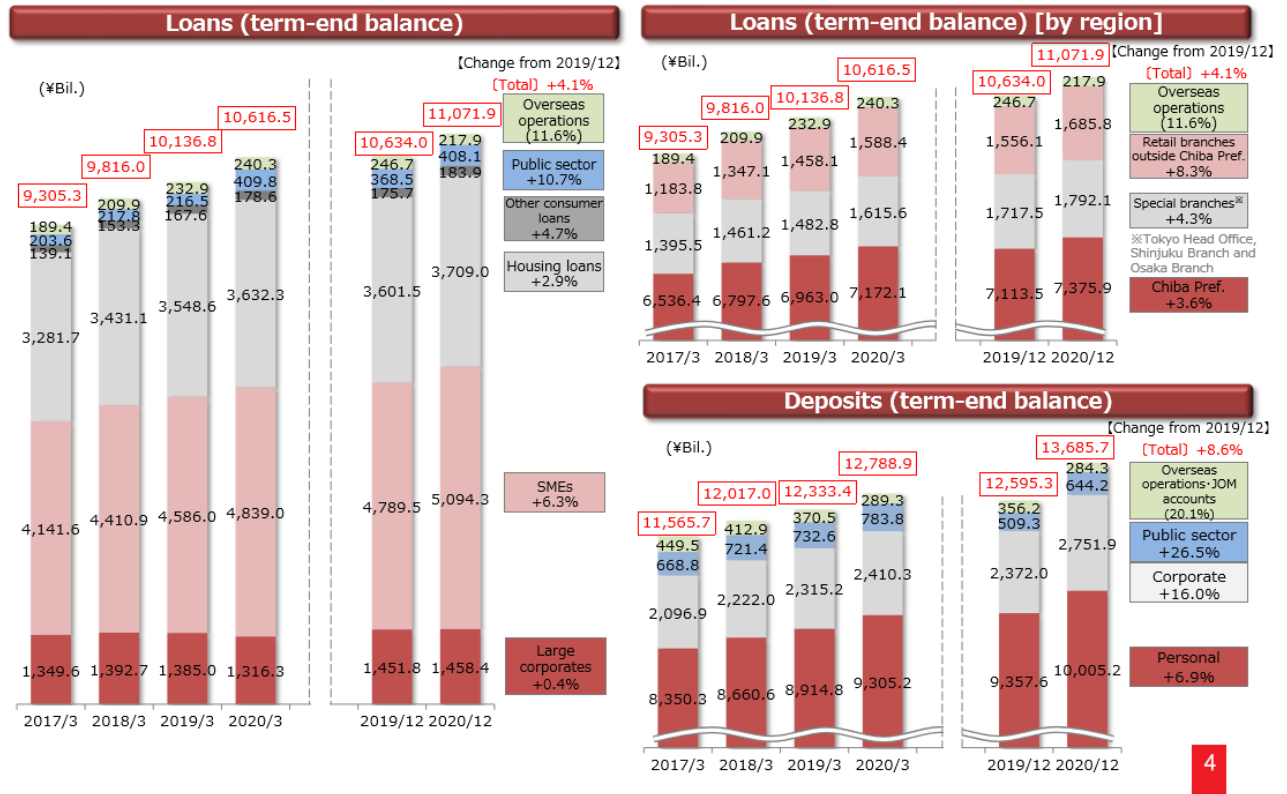
# Yield · Interest on Loans



Please turn to page three.

In domestic operations, the flow interest rate of mortgages is about 20 basis points lower than the stock interest rate, so the yield on loans and bills discounted continues to decline, but the interest rates of stock and flow of loans to business corporations have remained at the same level, and the overall yield decline is on a downward trend.

In international operations, although the yield on loans and bills discounted fell, due to the decline in global interest rates, the funding interest rate also fell at the same time, so the deposit-loan spread remained at a certain level of 100 basis points.

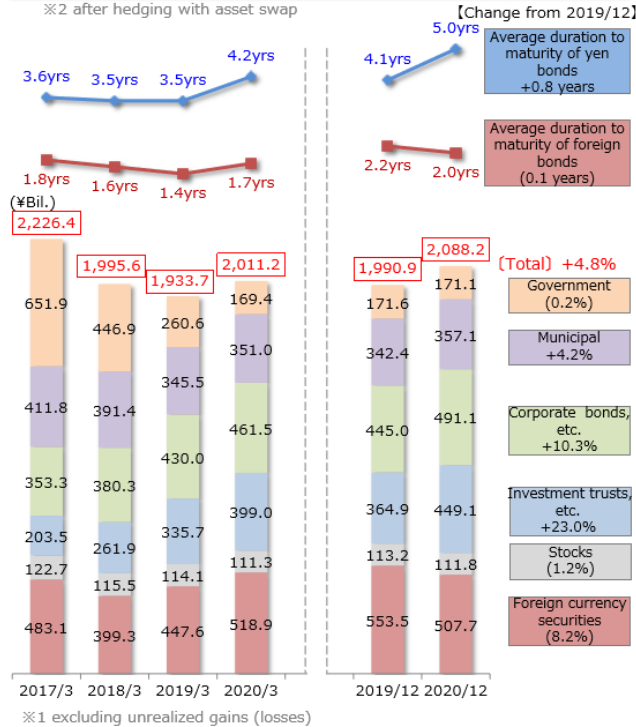


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By aggressively dealing with COVID-19-related loans, loans to SMEs increased by 6.3% YoY, and mortgages and unsecured loans also continued to increase. Loans maintained a steady pace of increase. Deposits also increased 8.6%, steadily increasing.

Balance of securities\*1 • Duration of securities\*2

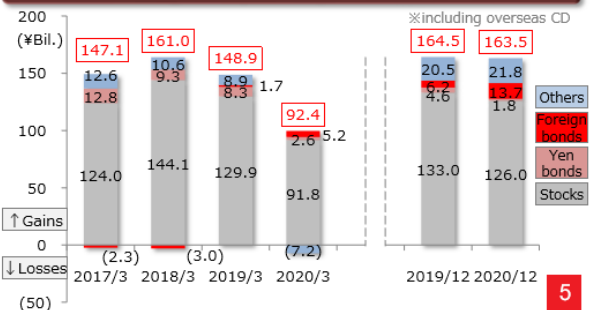
※2 after hedging with asset swap



Gain (loss) on securities

	2020/3		2021/3	
	1-3Q	1-3Q	1-3Q	Change
Interest income on securities	27.8	25.6	(2.2)	
Bonds	10.7	8.6	(2.0)	
Domestic	2.0	1.9	(0.0)	
International	8.7	6.7	(2.0)	
Stocks	8.6	8.1	(0.4)	
Investments trusts etc.	8.4	8.7	0.2	
Gains(losses) from investment trust cancellations	3.6	3.8	0.2	
Gains(losses) related to bonds(Government bonds, etc.)	2.0	0.1	(1.9)	
Gains on sales	2.7	1.5	(1.2)	
Gains(losses) related to stocks, etc.	4.4	4.4	(0.0)	
Gains on sales	4.5	4.6	0.1	

Unrealized gains (losses) on other securities



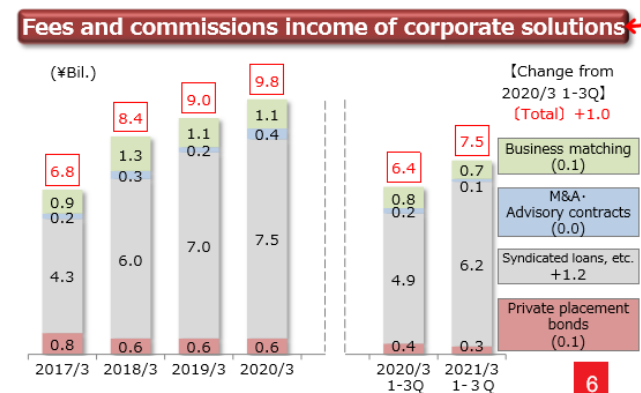
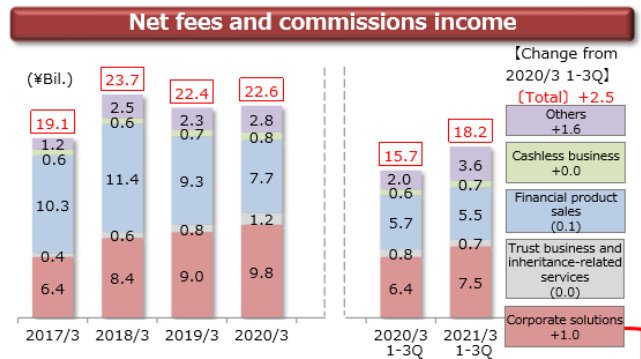
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The balance of securities increased by JPY76.9 billion from the end of March to JPY2,088.2 billion. In response to the zero-interest rate environment, we are investing in long-term municipal bonds and corporate bonds, so the remaining maturity of yen bonds has been slightly extended, but we continue to manage our portfolio with interest rate risk controlled. We pay close attention to the balance between liquidity and profitability.

Due to market turmoil caused by the spread of COVID-19, valuation gains/losses on other securities, which had decreased at the end of March, improved by JPY71.0 billion.

# Net Fees and Commissions Income

	2020/3		2021/3	
	(¥Bil.)	1-3Q	1-3Q	Change
Net fees and commissions income		15.7	18.2	2.5
Net fees and commissions revenue		31.3	31.9	0.5
Net fees and commissions payments (-)		15.6	13.6	(1.9)
<b>&lt;Main breakdown&gt;</b>				
Investment trusts and personal annuities		5.7	5.5	(0.1)
Investment trusts		2.0	2.5	0.4
Annuities and whole life insurance		1.1	0.9	(0.1)
Level paying life insurance		1.9	1.5	(0.4)
Financial instrument intermediary		0.4	0.5	0.0
Corporate solutions		6.4	7.5	1.0
Private placement bonds		0.4	0.3	(0.1)
Syndicated loans		4.9	6.2	1.2
M&A and advisory contracts		0.2	0.1	(0.0)
Business matching		0.8	0.7	(0.1)
Trust business and inheritance-related services		0.8	0.7	(0.0)
Cashless payment and card business		0.6	0.7	0.0
Payment and settlement transactions		9.6	9.9	0.3
Guarantee charges and group insurance costs (-)		10.7	8.8	(1.9)

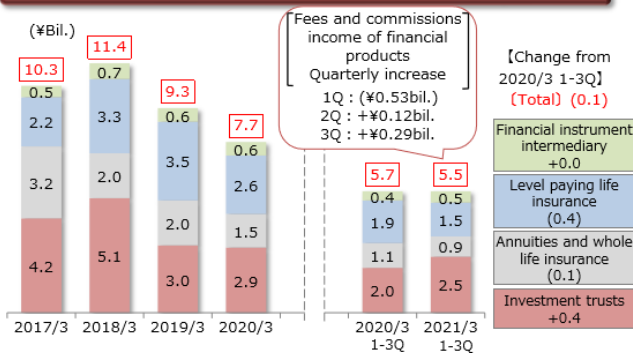


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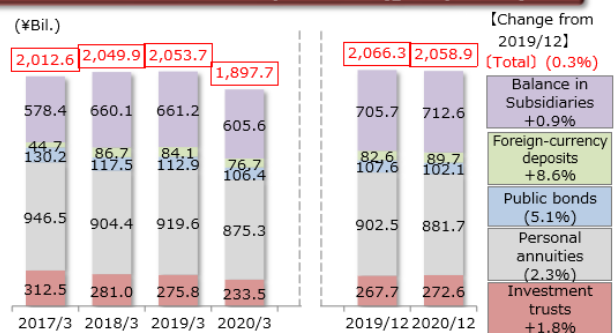
Net fees and commissions income increased by JPY2.5 billion YoY to JPY18.2 billion, even amid the COVID-19 pandemic.

With the cooperation of the alliance banks, we arranged multiple large-scale syndicated loans, and fees and commissions income of corporate solutions increased by JPY1.0 billion compared to the same period of the previous year, which is driving the overall increase in net fees and commissions income. We will provide a wide range of solutions to solve our customers' problems and further strengthen our profitability.

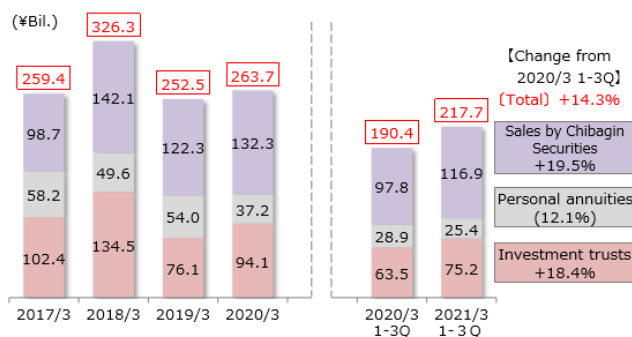
## Fees and commissions income of financial products



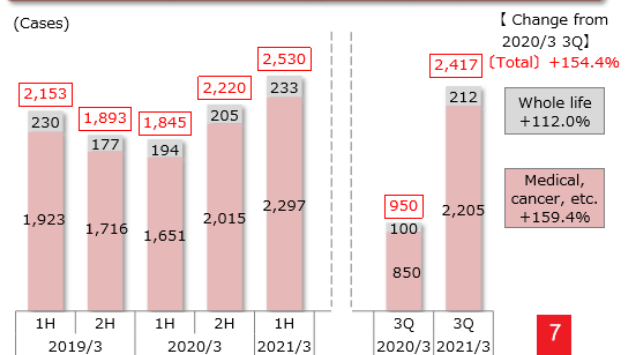
## Balance of financial products (group total)



## Financial products sales (group total)



## Number of protection-type insurance contracts



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Please turn to page seven.

Fees and commissions income of financial products, which had been sluggish due to refraining from active visiting sales during the state of emergency in April and May last year, turned positive in the second and third quarters compared to the same period of the previous year. The cumulative total up to the third quarter has recovered to almost the same level as the same period of the previous year.

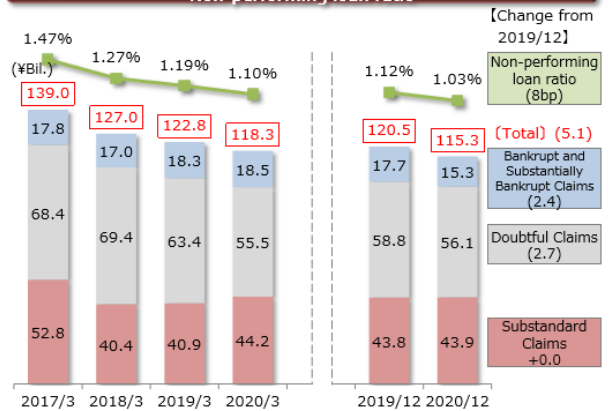
In addition, with regard to protection-type insurance contracts, which we are strengthening proposals for the asset building group by opening Hoken-no-Madoguchi (insurance sales counter) and introducing a life partner system, the number of contracts in the third quarter increased by 2.5 times compared to the same period of the previous year.



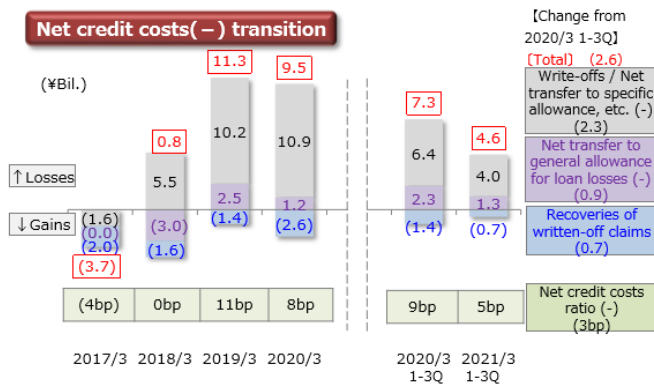
Net credit costs

(\$Bil.)	2020/3	2021/3	Change
	1-3Q	1-3Q	
Net credit costs (-)	7.3	4.6	(2.6)
Net transfer to general allowance for loan losses (-)	2.3	1.3	(0.9)
Disposal of non-performing loans (-)	4.9	3.3	(1.6)
Write-offs / Net transfer to specific allowance, etc. (-)	6.4	4.0	(2.3)
New downgrades (-)	6.8	4.4	(2.3)
Existing non-performing loans (-)	0.5	0.3	(0.1)
Collections etc.	0.8	0.7	(0.0)
Recoveries of written-off claims	1.4	0.7	(0.7)
Net credit costs ratio (-)	9bp	5bp	(3bp)

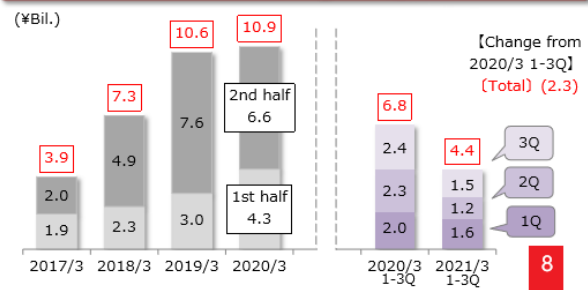
Disclosed claims under the Financial Reconstruction Law · Non-performing loan ratio



Net credit costs(-) transition



New downgrades



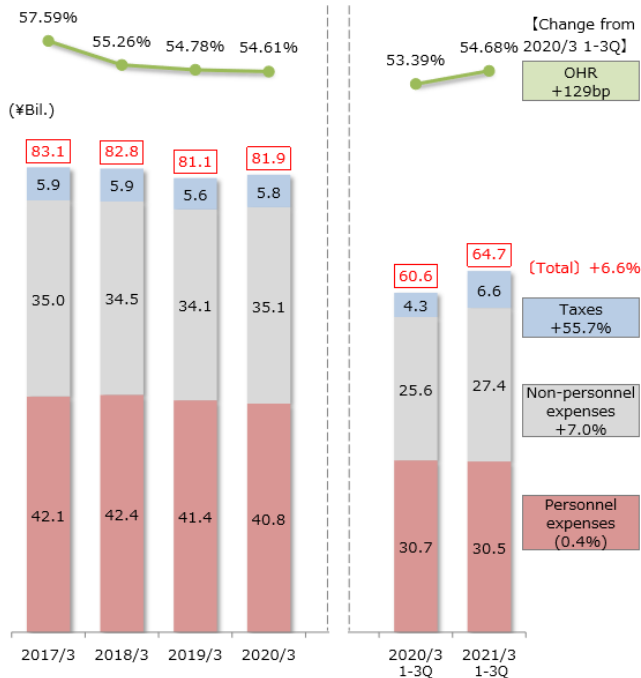
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Credit costs decreased JPY2.6 billion YoY to JPY4.6 billion. In addition to a decrease of JPY0.9 billion in net transfer to general allowance for loan losses, new downgrades also decreased by JPY2.3 billion. Credit costs have been suppressed.

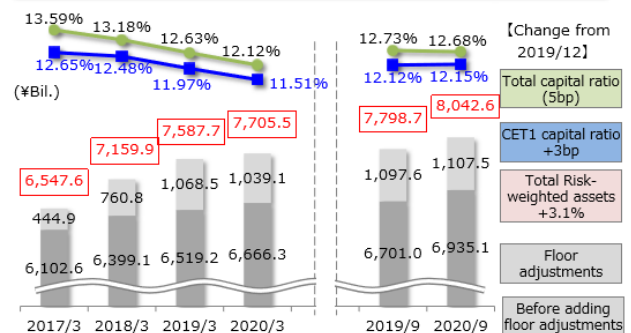
I will explain the influence of COVID-19 for the credit costs later.

## Expenses · OHR

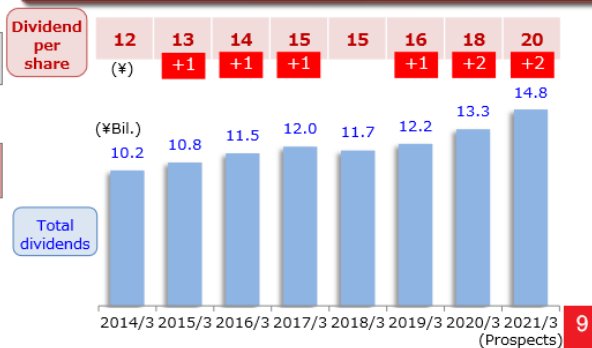
※ OHR : Expenses / (Net business income – Gains (Losses) related to bonds, etc. + Net transfer to general allowance for loan losses + Expenses)



## Capital ratios · Risk-weighted assets (Consolidated)



## Shareholder dividends



Please turn to page nine.

Expenses increased by JPY4.0 billion YoY due to the recording of expenses related to the new headquarters building of JPY3.4 billion, but this was within the plan.

Expenses for the full year are expected to increase by JPY5.3 billion from the previous fiscal year, but in order to maintain the low OHR, which is the top level of Japanese banks, we will thoroughly reduce expenses by improving operational efficiency using digital technology.

The consolidated total capital ratio is 12.68%, which is well above the required level of 10.5% for international standards banks.

In addition, considering that the progress rate of consolidated profit for the third quarter has reached 83% and the feasibility of the annual plan of JPY48.5 billion for consolidated profit is increasing, we decided to increase the year-end dividend per share by JPY2.

【Consolidated subsidiaries】

(¥Bil.)

Company name	Business Description	Investment ratio (Including indirect)	Profit items (After deduction of inter-subsidiary dividends)	2020/3		2021/3	
				1-3Q	1-3Q	1-3Q	Change
Chibagin Securities Co.,Ltd.	Securities business dealing in stocks, bonds, investment trusts and other financial products	100%	Ordinary profit	0.7	1.2	0.4	
			Profit	0.5	0.8	0.3	
Chibagin Leasing Co.,Ltd.	Leasing business of OA equipment, carriages, industrial machinery, store equipment, medical equipment, recycling equipment, etc.	100%	Ordinary profit	0.5	1.1	0.5	
			Profit	0.3	0.7	0.3	
Chibagin Guarantee Co.,Ltd	Guaranteeing business of mortgage loans and card loans, etc and collection agency business of sales charges, various fees, membership fees, etc.	100%	Ordinary profit	4.0	4.6	0.5	
			Profit	2.6	2.9	0.3	
Chibagin JCB Card Co.,Ltd	JCB brand's credit card and credit guarantee business	100%	Ordinary profit	0.6	0.7	0.0	
			Profit	0.4	0.4	0.0	
Total of 5 other companies	—	100%	Ordinary profit	0.4	0.5	0.0	
			Profit	0.3	0.3	0.0	
Total			Ordinary profit	6.5	8.2	1.6	
			Profit	4.3	5.4	1.1	

【Equity method subsidiaries】

Total of 5 companies	Profit according to equity method	0.2	0.1	(0.1)
	Dividends to parent company(-)	3.6	3.5	(0.1)
	Difference between consolidated and non-consolidated ※	0.9	2.0	1.0

※After adjustment for unrealized gains, etc.

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Please turn to page 10.

From this third quarter, we expanded the disclosure content related to the financial results of subsidiaries. Chibagin Securities posted a YoY profit increase of JPY0.3 billion due to strong stock sales, and Chibagin Leasing and Chibagin Guarantee also increased profit by JPY0.3 billion each.

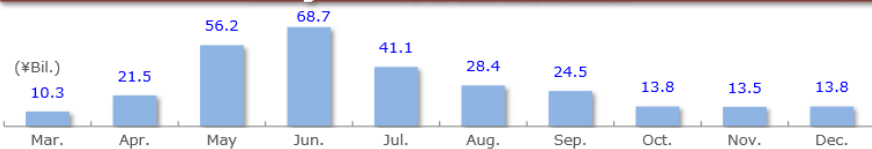
Due to the favorable performance of the financial results of the subsidiaries, the difference between consolidated and non-consolidated was JPY2.0 billion, an increase of JPY1.0 billion from the same period of the previous year.

Status of loans related to COVID-19

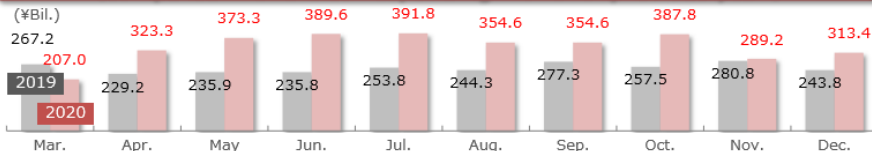
[As of December 2020]

(cases/amounts)	Execution	
New loans	12,774	¥599.8 billion
Without guarantee of the Association	758	¥307.1 billion
With guarantee of the Association	12,016	¥292.7 billion
Restructuring loans	975	-
Without guarantee of the Association	368	-
With guarantee of the Association	607	-

Transition of loans executions related to COVID-19 with guarantee of the Association



Increase amount of loans average balance (compared with the corresponding month of previous year)



COVID-19-related loans balance

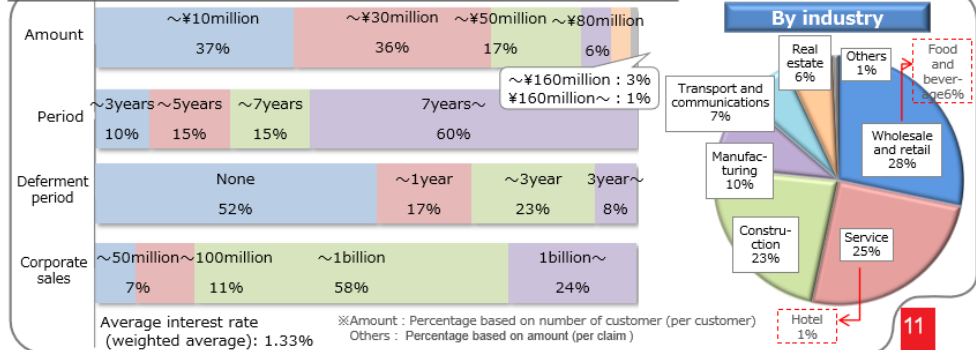
[As of December 2020]

※ Excluding spot lending, overdrafts, commitment lines, etc.



85% of loans without guarantee of the Association are for corporations with sales of greater than or equal to ¥1 billion

Details of COVID-19-related loans with guarantee of the Association



Please turn to page 11. Next, I would like to explain the effects of the COVID-19.

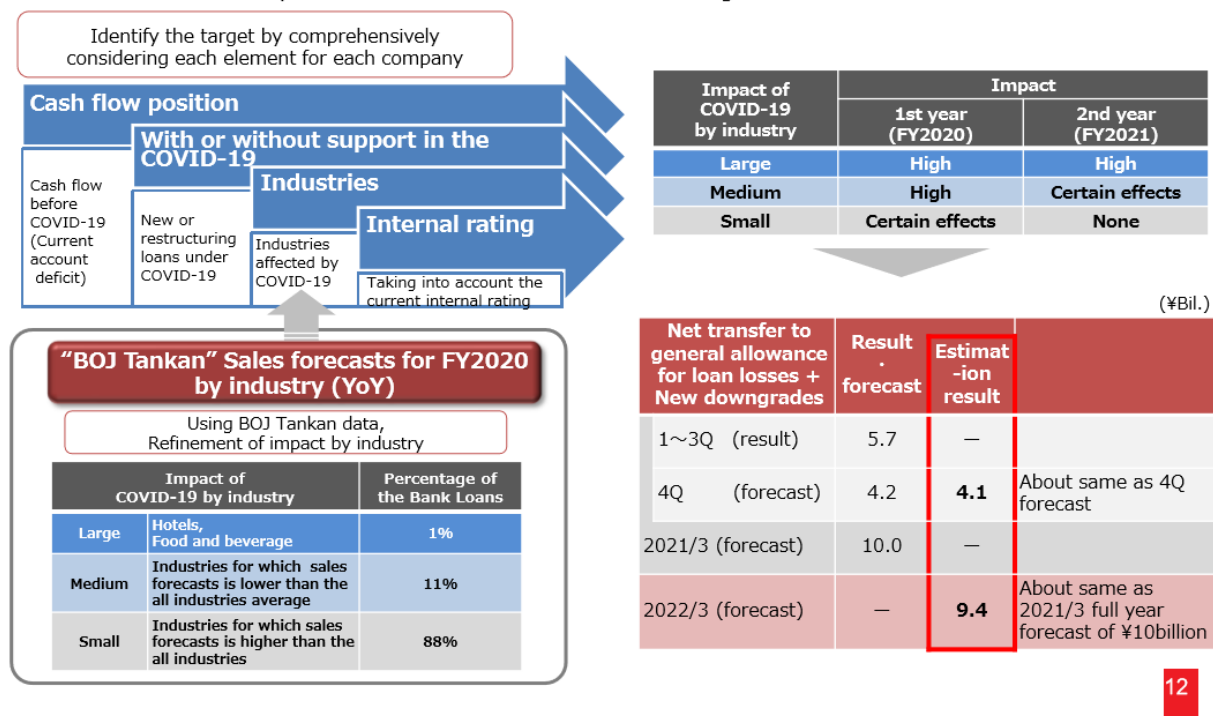
We continue to make various efforts centered on cash flow support in order to firmly support customers affected by COVID-19. The total loans executions related to COVID-19 has reached 12,000 cases, or JPY600 billion.

Regarding COVID-19-related loans with guarantee of the Association, the unsecured limit is JPY80 million each, for the two guarantees related to “business stability” and “crisis”, for a total of JPY160 million. However, the loan balances of more than 90% of customers are less than JPY50 million. Most of them have the capacity to raise funds.

In addition, the maximum amount of interest-free loans has been raised from JPY40 million to JPY60 million since February, and certain amount of loan executions are expected in the future. We will continue to take appropriate measures while assessing redemption capacity and business plans.

### Estimation of net credit costs taking into account COVID-19

(Update materials of financial results meeting in November 2020)



Please turn to page 12.

The calculation of credit costs estimation, which was explained at the financial results meeting for the first half in November, taking into account the impact of COVID-19, has been updated based on the figures at the end of December.

This is a macro simulation based on the current account balance and industry of each company. The credit costs for the fourth quarter are estimated to be JPY4.1 billion, which is about the same as the forecast of JPY4.2 billion in the plan.

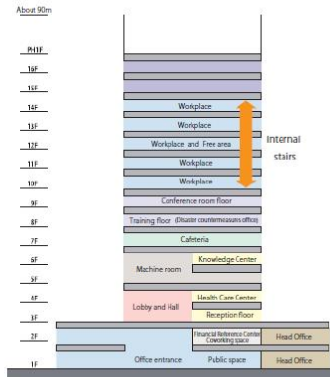
Credit costs for the next year are estimated to be roughly the same as the expected amount for this year, and we believe that credit costs can be suppressed to a certain extent.

In addition, the credit section is making a calculation based on the results of direct hearings from customers about the recovery status of sales and the need for support and accumulating the amount of increase in credit costs for each company. In doing so, we are verifying the estimated amount of credit costs incurred.



Together with you,  
a new step forward

September 30, 2020  
Chiba Bank Headquarter Building  
Completed



Chiba Bank Headquarter Building / Architectural outline

Site area	24,992.58㎡
Building area	6,595.80㎡
Total floor area	46,878.25㎡
Structure	steel construction (differential steel construction)
Scale	16th floor Penthouse 2nd Floor
Completion of construction	September 2020
Design supervision	Nikken sekkei Ltd
Construction	Shinbau, Taseki, Shinshinru, Asahi joint venture

The Chiba Bank, Ltd.  
1-2 Chiba-minato, Chuo-ku, Chiba city, Chiba 260-8720  
<https://chibabank.co.jp/english/>



**“Chiba Bank Headquarter Building”**  
has been reborn,  
raising a sail with exhilaration into a new era

“Chiba Bank Headquarter Building”  
with the motif of sailing ship on the ocean.  
It expresses our “Chiba Bank” strong feelings  
“to move forward into the future as a new financial group  
beyond the framework of existing bank” .



Next, I would like to explain about the new headquarters building, which was completed in September last year. Please turn to page 13.

The new headquarters building has a design with the motif of a sailing ship that sails dashing in the ocean and sails in a new era with a strong desire to go beyond the framework of existing banks and move forward as a new banking group.

**(Reference) New Headquarter Building ②****NEXT STEP 2023**

~ connect and go beyond, for the future ~


**The Chiba Bank Headquarter Building uses the latest technology and equipment to realize comfortable work,  
the highest level of safety and environmental performance.  
See the Chiba Bank Headquarter Building open to the region.**

### Coexistence with regional community


We have set up facilities such as financial reference center to be as a new hub for interaction with regional customers.



**Chiba Bank financial reference center**  
~FinTERRACE~  
Financial reference center has been reborn as FinTERRACE. It introduces our bank and financial history, as well as Chiba Prefecture, which has achieved remarkable development.




**Chiba Bank coworking space**  
~PORT~  
We provide support for regional start-up companies, co-creation communities among companies and business matching opportunities.



**Main hall**  
We have set up the main hall which can be used for concerts.  
In case of emergency, the main entrance on the first floor and the lobby in front of the Main Hall are provided as temporary accommodation facilities.

### Strengthening BCP


We have achieved an earthquake-resistant S-grade, which is equivalent to that of disaster bases or disaster base hospitals.




**Base vibration-free**  
We have adopted a base isolation structure that reduces seismic intensity 7 to about seismic intensity 3.



**Liquefaction countermeasures**  
We have taken all possible measures to prevent liquefaction by improving the ground.




**Disaster countermeasures office**  
We have installed 18 multi-display screens to strengthen our business continuity system in the case of a large-scale disaster.




**Cogeneration generator**  
In addition to the emergency generator, a gas-powered cogeneration generator has been installed to multiplex power sources.

### Improve productivity by innovate work style

We have designed the office to be functional and to encourage communication.



**Set up free area that can be used by anyone on the 12th floor**  
The 12th floor, which is the central floor of the workplace, has a free area that can be used freely by anyone. Employees can choose where to work according to their projects and moods.



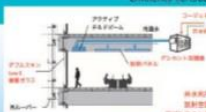
**Workplace**  
On the office floor, free addresses are adopted for each group. The desk layout is a hexagon grid that allows for interaction within the floor. We have set up an internal stairs that connects each floor in the center of building.



**Knowledge center**  
A knowledge center with a collection of about 10,000 books has been established to enable employees to deepen their knowledge. The service counter attached to knowledge center provides lending of collected stationary and equipment.

### Environmental considerations

The building is designed to utilize natural energy and promote energy saving. Performance equivalent to S-rank in the Comprehensive Assessment System for Built Environment Efficiency (CASBEE).



**Complex air conditioning system with enhanced environmental performance**



**Low-e double glass**

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BCP has been strengthened, such as by installing a cogeneration generator, achieving the highest level of safety and environmental performance, and it will also be a new exchange base with local customers. The 10th to 14th floors of the office space have a structure that allows staff from other departments to easily communicate with each other using the inner stairs.

On the 12th floor, which is located in the middle, an agile work area that anyone can use freely is set up to create an environment that enhances intellectual productivity, such as new ideas and business creation, in order to accelerate DX and new business initiatives.

In addition, we updated the PC terminals in line with the move to the new headquarters building, creating an environment where all headquarters employees can telework. It will be the basis for supporting the development of the Bank over the next 50 years, and you are welcome to visit us.

That is all for my explanation. Thank you for your attention.